

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re: HIGHLAND STREET GROUP, LLC

Case No. BK-S-09-27639-MKN

**CHAPTER 11  
MONTHLY OPERATING REPORT  
(REAL ESTATE CASE)**

**SUMMARY OF FINANCIAL STATUS**

MONTH ENDED: Jul-10PETITION DATE: 9/22/2009 0:00

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).

Dollars reported in \$1

	End of Current Month	End of Prior Month	As of Petition Filing
<b>2. Asset and Liability Structure</b>			
a. Current Assets	\$605,655	\$605,655	
b. Total Assets	\$7,336,086	\$7,336,086	\$8,159,471
c. Current Liabilities	\$1,000,382	\$1,000,382	
d. Total Liabilities	\$9,009,049	\$9,009,049	\$5,822,942
			<b>Cumulative</b>
<b>3. Statement of Cash Receipts &amp; Disbursements for Month</b>	<b>Current Month</b>	<b>End of Prior Month</b>	<b>(Case to Date)</b>
a. Total Receipts	\$1,027	\$1,027	(\$123,768)
b. Total Disbursements	\$1,027	\$1,027	\$122,634
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$0	\$0	(\$1,133)
d. Cash Balance Beginning of Month	\$0	\$0	\$1,133
e. Cash Balance End of Month (c + d)	\$0	\$0	(\$0)
	<b>Current Month</b>	<b>End of Prior Month</b>	<b>Cumulative</b>
<b>4. Profit/(Loss) from the Statement of Operations</b>	\$1,027	\$1,027	<b>(Case to Date)</b>
<b>5. Account Receivables (Pre and Post Petition)</b>	\$605,655	\$605,655	(\$402,464)
<b>6. Post-Petition Liabilities</b>	\$1,000,382	\$1,000,382	
<b>7. Past Due Post-Petition Account Payables (over 30 days)</b>	\$12,087	\$12,087	

## At the end of this reporting month:

	Yes	No
8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)		X
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)		X
10. If the answer is yes to 8 or 9, were all such payments approved by the court?		
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)		X
12. Is the estate insured for replacement cost of assets and for general liability?	X	
13. Are a plan and disclosure statement on file?	X	
14. Was there any post-petition borrowing during this reporting period?		X

15. Check if paid: Post-petition taxes X; U.S. Trustee Quarterly Fees     ; Check if filing is current for: Post-petition tax reporting and tax returns: X.  
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.) \*\*Need court OK to pay from Sutter under consolidated plan.

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 8/18/10

Is/ David Frank  
Responsible Individual

## (Real Estate Case)

For the Month Ended 07/31/10

## Current Month

Actual Forecast Variance

Cumulative  
(Case to Date)Next Month  
Forecast

## Revenues:

- 1 Rent/Leases  
2 Real Property Sales Gross  
3 Interest  
4 Other Income: \_\_\_\_\_  
5 \_\_\_\_\_  
6 \_\_\_\_\_

(\$239,911.53)

\$0.13

## 7 Total Revenues

(\$239,911.40)

\$0

## Expenses:

- 8 Cost of Property Sold  
8a Initial Cost & Improvement \_\_\_\_\_  
8b less: Depreciation Taken \_\_\_\_\_  
9 Selling  
10 Administrative  
11 Interest  
12 Compensation to Owner(s)/Officer(s)  
13 Salaries  
14 Commissions  
15 Management Fees  
Rent/Lease:  
16 Personal Property  
17 Real Property  
18 Insurance  
19 Depreciation  
Taxes:  
20 Employer Payroll Taxes  
21 Real Property Taxes  
22 Other Taxes  
23 Other Expenses: \_\_\_\_\_  
24 Bank Charges  
25 Licenses & Fees  
26 Legal  
27 Utilities-Water  
28 \_\_\_\_\_  
29 \_\_\_\_\_  
30 \_\_\_\_\_  
31 \_\_\_\_\_

\$118,193

\$9,489

\$3,955

\$129

\$200

\$18

\$1,948

\$254

## 32 Total Expenses

\$133,627

\$4,632

## 33 Subtotal

(\$373,539)

(\$4,632)

## Reorganization Items:

- 34 Professional Fees  
36 Interest Earned on Accumulated Cash from  
Resulting Chp 11 Case  
37 Gain or (Loss) from Sale of Equipment  
38 U.S. Trustee Quarterly Fees  
39 Appraisal Fee

\$24,225

\$975

\$3,725

## 40 Total Reorganization Items

\$28,925

\$0

## 41 Net Profit (Loss) Before Federal &amp; State Taxes

(\$402,464)

(\$4,632)

## 42 Federal &amp; State Income Taxes

## 43 Net Profit (Loss)

(\$402,464)

(\$4,632)

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

**BALANCE SHEET**  
**(Real Estate Case)**  
For the Month Ended 7/31/2010 0:00

**Assets**

		<u>From Schedules</u>	<u>Market Value</u>
<b>Current Assets</b>			
1	Cash and cash equivalents - unrestricted		
2	Cash and cash equivalents - restricted		
3	Accounts receivable (net)	A	\$605,655
4	Prepaid expenses		
5	Professional retainers		
6	Other: _____		
7	_____		
8	<b>Total Current Assets</b>		<b>\$605,655</b>
<b>Property and Equipment (Market Value)</b>			
9	Real property	C	\$4,350,000
10	Machinery and equipment	D	\$58,630
11	Furniture and fixtures	D	\$0
12	Office equipment	D	\$0
13	Leasehold improvements	D	\$0
14	Vehicles	D	\$0
15	Other: _____	D	
16	_____	D	
17	_____	D	
18	_____	D	
19	_____	D	
20	<b>Total Property and Equipment</b>		<b>\$4,408,630</b>
<b>Other Assets</b>			
21	Loans to shareholders		
22	Loans to affiliates		
23	Investment in Sutter (moved to liability)		
24	Contributing Members Pref		\$2,321,801
25	_____		
26	_____		
27	<b>Total Other Assets</b>		<b>\$2,321,801</b>
28	<b>Total Assets</b>		<b>\$7,336,086</b>

**NOTE:**

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

X

**Liabilities and Equity**  
(Real Estate Case)

**Liabilities From Schedules**

**Post-Petition**

**Current Liabilities**

29	Salaries and wages		
30	Payroll taxes		
31	Real and personal property taxes		
32	Income taxes		
33	Sales taxes		
34	Notes payable (short term)		
35	Accounts payable (trade)	A	\$12,087
36	Real property lease arrearage		
37	Personal property lease arrearage		
38	Accrued professional fees		
39	Current portion of long-term post-petition debt (due within 12 months)		
40	Other:		
41	Less: Priority Unsecured Claim Line 48		(\$3,163)
42	Investment in Sutter/RE adjustment		\$991,459
43	<b>Total Current Liabilities</b>		<b>\$1,000,382</b>
44	<b>Long-Term Post-Petition Debt, Net of Current Portion</b>		
45	<b>Total Post-Petition Liabilities</b>		<b>\$1,000,382</b>

**Pre-Petition Liabilities (allowed amount)**

46	Secured claims	F	\$4,100,734
47	Priority unsecured claims	F	\$3,163
48	General unsecured claims	F	\$3,904,770
49	<b>Total Pre-Petition Liabilities</b>		<b>\$8,008,667</b>
50	<b>Total Liabilities</b>		<b>\$9,009,049</b>

**Equity (Deficit)**

51	Retained Earnings/(Deficit) at time of filing		(\$1,222,254)
52	Capital Stock		
53	Additional paid-in capital		
54	Cumulative profit/(loss) since filing of case		(\$402,464)
55	Post-petition contributions/(distributions) or (draws) Pref Accrual		\$138,849
56	Capital Contribution		\$2,107,256
57	Market value adjustment		(\$2,294,350)
58	<b>Total Equity (Deficit)</b>		<b>(\$1,672,963)</b>
59	<b>Total Liabilities and Equity (Deficit)</b>		<b>\$7,336,086</b>

## SCHEDULES TO THE BALANCE SHEET

(Real Estate Case)

## Schedule A

## Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0 -30 Days		\$0	
31-60 Days			
61-90 Days		\$325	\$12,087
91+ Days	\$605,655	\$11,762	
Total accounts receivable/payable	\$605,655	\$12,087	
Allowance for doubtful accounts			
Accounts receivable (net)	\$605,655		

## Schedule B

Inventory/Cost of Goods Sold  
Not Applicable to Real Estate CasesSchedule C  
Real Property

Description	Cost	Market Value
APN 162-09-110-035 land and improvements	\$0	
APN 162-09-110-035 land and building with improvements	\$0	
Original Cost \$2,745,395.99	\$2,745,396	
Improvements \$2,975,965.30	\$2,975,965	
Appraised Market Value of Real Estate	\$0	\$4,350,000
Loan Fees Less Amortization	\$0	
Total	\$5,721,361	\$4,350,000

Schedule D  
Other Depreciable Assets

Description	Cost	Market Value
Machinery & Equipment -		
FF&E	\$1,366,317	
Refrigeration Equipment	\$11,991	
Depreciation (Bldg & Equipment - all)	(\$396,690)	
Loan Fees Less Amortization (included above)	\$0	\$58,630
Total	\$981,618	\$58,630
Furniture & Fixtures -		
Included above		
Total	\$0	\$0
Office Equipment -		
Included above		
Total		\$0
Leasehold Improvements -		
Included above		
Total	\$0	\$0
Vehicles -		
None		
Total	\$0	\$0

**Schedule E**  
**Aging of Post-Petition Taxes**  
**(As of End of the Current Reporting Period)**

<b>Taxes Payable</b>	<b><u>0-30 Days</u></b>	<b><u>31-60 Days</u></b>	<b><u>61-90 Days</u></b>	<b><u>91+ Days</u></b>	<b><u>Total</u></b>
<b>Federal</b>					
Income Tax Withholding					\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total Federal Taxes</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>State and Local</b>					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property				\$9,489	\$9,489
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total State &amp; Local Taxes</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,489</b>	<b>\$9,489</b>
<b>Total Taxes</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,489</b>	<b>\$9,489</b>

**Schedule F**  
**Pre-Petition Liabilities**

<b><u>List Total Claims For Each Classification -</u></b>	<b><u>Claimed Amount</u></b>	<b><u>Allowed Amount (b)</u></b>
Secured claims (a)	\$4,100,734	\$4,100,734
Priority claims other than taxes		
Priority tax claims	\$3,163	\$3,163
General unsecured claims	\$3,904,770	\$3,904,770

(a) List total amount of claims even if under secured.

(b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

**Schedule G**  
**Rental Income Information**

**List the Rental Information Requested Below By Properties**

	<u>Property 1</u>	<u>Property 2</u>	<u>Property 3</u>	<u>Property 4</u>
Description of Property				
Scheduled Gross Rents				
Less:				
Vacancy Factor				
Free Rent Incentives				
Other Adjustments				
Total Deductions	\$0	\$0	\$0	\$0
Scheduled Net Rents	\$0	\$0	\$0	\$0
Less: Rents Receivable *				
Scheduled Net Rents Collected *	\$0	\$0	\$0	\$0

\* To be completed by cash basis reporters only.

**Schedule H**  
**Recapitulation of Funds Held at End of Month**

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank				
Account Type				
Account No.				
Account Purpose				
Balance, End of Month				
Total Funds on Hand for all Accounts	\$0			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS****Increase/(Decrease) in Cash and Cash Equivalents****For the Month Ended****7/31/2010 0:00**

		<u>Actual Current Month</u>	<u>Cumulative (Case to Date)</u>
<b>Cash Receipts</b>			
1	Rent/Leases Collected		
2	Cash Received from Sales		
3	Interest Received		
4	Borrowings		
5	Funds from Shareholders, Partners, or Other Insiders		
6	Capital Contributions		
7	Net Income		(\$403,491)
8	Adjustments to reconcile net income to net cash provided		
9	by operating activities		
10	A/P	\$1,027	\$12,087
11	Prepaid & other liability		\$267,637
12	<b>Total Cash Receipts</b>	<b>\$1,027</b>	<b>(\$123,768)</b>
<b>Cash Disbursements</b>			
13	Selling		
14	Administrative		
15	Capital Expenditures		
16	Principal Payments on Debt		
17	Interest Paid		
	Rent/Lease:		
18	Personal Property		
19	Real Property		
	Amount Paid to Owner(s)/Officer(s)		
20	Salaries		
21	Draws		
22	Commissions/Royalties		
23	Expense Reimbursements		
24	Other		
25	Salaries/Commissions (less employee withholding)		
26	Management Fees		
	Taxes:		
27	Employee Withholding		
28	Employer Payroll Taxes		
29	Real Property Taxes		\$9,489
30	Other Taxes		
31	Other Cash Outflows:		
32	Adjustments for non-cash and accrued		
33	Depreciation		\$118,193
34	A/P reversal	\$1,027	(\$8,462)
35			
36	Loan Fees Amortization w/o		\$3,415
37	<b>Total Cash Disbursements:</b>	<b>\$1,027</b>	<b>\$122,634</b>
38	<b>Net Increase (Decrease) in Cash</b>	<b>\$0</b>	<b>(\$1,133)</b>
39	<b>Cash Balance, Beginning of Period</b>	<b>\$0</b>	<b>\$1,133</b>
40	<b>Cash Balance, End of Period</b>	<b>\$0</b>	<b>(\$0)</b>

## STATEMENT OF CASH FLOWS

(Optional) Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended

7/31/2010 0:00

## Cash Flows From Operating Activities

Actual  
Current MonthCumulative  
(Case to Date)

1	Cash Received from Sales		
2	Rent/Leases Collected		
3	Interest Received		
4	Cash Paid for Development of Real Estate		
5	Cash Paid for Operation of Real Estate		
6	Cash Paid for Administrative Expenses		
	Cash Paid for Rents/Leases:		
7	Personal Property		
8	Real Property		
9	Cash Paid for Interest		
10	Cash Paid for Net Payroll and Benefits		
	Cash Paid to Owner(s)/Officer(s)		
11	Salaries		
12	Draws		
13	Commissions/Royalties		
14	Expense Reimbursements		
15	Other		
	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
16	Employer Payroll Tax		
17	Employee Withholdings		
18	Real Property Taxes		
19	Other Taxes		
20	Cash Paid for General Expenses		
21	Net Income		(\$402,464)
22	Adjustments to reconcile Net Income to Net cash provided by operations:		
23	Prepaid Legal Retainer adjustment		\$24,225
24	Accounts Payable	\$1,027	\$13,114
25	Other liabilities		\$243,412
26			
27	Net Cash Provided (Used) by Operating Activities before Reorganization Items	\$1,027	(\$121,713)

## Cash Flows From Reorganization Items

28	Interest Received on Cash Accumulated Due to Chp 11 Case		
29	Professional Fees Paid for Services in Connection with Chp 11 Case		
30	U.S. Trustee Quarterly Fees		
31		X	
32	Net Cash Provided (Used) by Reorganization Items	\$0 X	\$0

33	Net Cash Provided (Used) for Operating Activities and Reorganization Items	\$1,027	(\$121,713)
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## Cash Flows From Investing Activities

34	Capital Expenditures - ACCUM DEPRECIATION		\$118,193
35			
36	Loan Fees		\$3,415
37	Net Cash Provided (Used) by Investing Activities	\$0	\$121,608

## Cash Flows From Financing Activities

38	Net Borrowings (Except Insiders)		
39	Net Borrowings from Shareholders, Partners, or Other Insiders		
40	Capital Contributions		
41	Principal Payments		
42		\$1,027	\$1,027

43	Net Cash Provided (Used) by Financing Activities	(\$1,027)	(\$1,027)
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44	Net Increase (Decrease) in Cash and Cash Equivalents	\$0	(\$1,133)
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45	Cash and Cash Equivalents at Beginning of Month	\$0	\$1,133
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46	Cash and Cash Equivalents at End of Month	\$0	\$0
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